

Company Registration No. 10998058 (England and Wales)

FRANKLYN CARE LIMITED
ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2018



FRANKLYN CARE LIMITED

COMPANY INFORMATION

Directors	Ms J C McKenna Mr A J MacArthur Mr R A Fleming	(Appointed 5 October 2017) (Appointed 5 October 2017) (Appointed 24 May 2018)
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Company number	10998058
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Registered office	The Gatehouse 9 Manor Road Harrogate North Yorkshire UK HG2 0HP
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Auditors	Henton & Co LLP Northgate 118 North Street Leeds West Yorkshire LS2 7PN
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Business address	The Gatehouse 9 Manor Road Harrogate North Yorkshire UK HG2 0HP
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FRANKLYN CARE LIMITED

CONTENTS

	Page
Strategic report	1
Directors' report	2 - 3
Independent auditor's report	4 - 6
Profit and loss account	7
Consolidated statement of comprehensive income	8
Group balance sheet	9
Company balance sheet	10
Group statement of changes in equity	11
Company statement of changes in equity	12
Consolidated statement of cash flows	13
Notes to the financial statements	14 - 28

FRANKLYN CARE LIMITED

STRATEGIC REPORT

FOR THE PERIOD ENDED 30 JUNE 2018

The directors present the strategic report and financial statements for the period ended 30 June 2018.

Fair review of the business

On 24 May 2018 Franklyn Care Limited acquired 100% of the ordinary share capital of The Franklyn Group Limited and Sirtin Limited for a total consideration of £5,163,025. These group accounts represent only 34 days of trading. The profit and loss account is set out on page 7 shows a turnover of £374,287 and a loss after taxation of £9,216. The loss is the result of one off costs incurred during the transaction process.

Individual care homes have contributed well to the overall profits of the subsidiary companies and have exceeded expectations for the year.

Occupancy rates have exceeded industry averages, while registered bed numbers have remained static. A new initiative to drive fee levels is showing positive results. Staffing issues at one care home has been a cause for concern, but continued focus on recruitment and compliance remain important to maintain reputation both locally and with the Care Quality Commission. Increases in National Insurance, national living wage and pensions have put pressure on the group, however the current business plan to attract private clients is mitigating concerns in this area.

The group will focus efforts on streamlining the head office function and look to adopt current technology to drive efficiency in all areas.

Principal risks and uncertainties

An ongoing concern for the care industry is the difficulty in recruiting reliable, caring and hardworking staff. The UK's exit from the European Union is a matter of great uncertainty for a number of existing staff as well as being a concern for recruitment opportunities in the future. In addition the further significant rise in the National Minimum Wage planned for the next financial year will have a significant effect on staffing costs. There are many opportunities as there remains a national shortage of residential care beds and an ageing population suggesting that the care sector has significant opportunities for growth.

On behalf of the board



Ms J C McKenna

Director

26 March 2019

FRANKLYN CARE LIMITED

DIRECTORS' REPORT

FOR THE PERIOD ENDED 30 JUNE 2018

The directors present their annual report and financial statements for the period ended 30 June 2018.

Principal activities

Franklyn Care Limited was incorporated on 5 October 2017. The company is a holding company. The directors foresee no material change in the nature of the companies activities which commenced on 24 May 2018.

Directors

The directors who held office during the period and up to the date of signature of the financial statements were as follows:

Ms J C McKenna	(Appointed 5 October 2017)
Mr A J MacArthur	(Appointed 5 October 2017)
Mr R A Fleming	(Appointed 24 May 2018)

Results and dividends

The results for the period are set out on page 7.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Auditors

Henton & Co LLP were appointed auditors to the group and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company, and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

FRANKLYN CARE LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE PERIOD ENDED 30 JUNE 2018

Statement of disclosure to auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board



Ms J C McKenna

Director

26 March 2019

FRANKLYN CARE LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF FRANKLYN CARE LIMITED

Opinion

We have audited the financial statements of Franklyn Care Limited (the 'parent company') and its subsidiaries (the 'group') for the period ended 30 June 2018 which comprise the group profit and loss account, the group statement of comprehensive income, the group balance sheet, the company balance sheet, the group statement of changes in equity, the company statement of changes in equity, the group statement of cash flows, the company statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 30 June 2018 and of the group's profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's *responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

In forming our opinion, we have considered the adequacy of the disclosures made in note 1.3 of the financial statements concerning uncertainties which may cause doubt on the group's ability to continue as a going concern. In view of the significance of these uncertainties we consider that it should be drawn to your attention but our opinion is not qualified in this respect.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

FRANKLYN CARE LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF FRANKLYN CARE LIMITED

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the strategic report and the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

FRANKLYN CARE LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF FRANKLYN CARE LIMITED

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Henton & Co LLP

Chris Howitt (Senior Statutory Auditor)
for and on behalf of Henton & Co LLP

26 March 2019

Chartered Accountants
Statutory Auditor

Northgate
118 North Street
Leeds
West Yorkshire
LS2 7PN

FRANKLYN CARE LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 30 JUNE 2018

	Notes	Period ended 30 June 2018 £
Turnover	3	374,287
Cost of sales		(25,183)
Gross profit		349,104
Administrative expenses		(319,540)
Other operating income		863
Operating profit	4	30,427
Interest receivable and similar income	8	146
Interest payable and similar charges	9	(27,444)
Profit before taxation		3,129
Taxation	10	(12,345)
(Loss)/profit for the financial period		(9,216)

The profit and loss account has been prepared on the basis that all operations are continuing operations.

FRANKLYN CARE LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2018

	Period ended 30 June 2018 £
Loss for the period	(9,216)
Other comprehensive income	-
Total comprehensive income for the period	<u>(9,216)</u>

Total comprehensive income for the period is all attributable to the owners of the parent company.

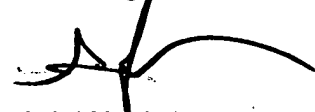
FRANKLYN CARE LIMITED

GROUP BALANCE SHEET

AS AT 30 JUNE 2018

	Notes	2018 £	£
Fixed assets			
Goodwill	11		542
Negative goodwill	11		(1,607,712)
Net goodwill			(1,607,170)
Tangible assets	12		8,180,400
			6,573,230
Current assets			
Stocks	14	5,450	
Debtors	15	334,903	
Cash at bank and in hand		183,219	
		523,572	
Creditors: falling due within one year	16	(803,022)	
Net current liabilities			(279,450)
Total assets less current liabilities			6,293,780
Creditors: amounts falling due after more than one year	17		(5,934,300)
Provisions for liabilities			(368,496)
Net liabilities			(9,016)
Capital and reserves			
Called up share capital	21		200
Profit and loss reserves			(9,216)
Equity attributable to owners of the parent company			(9,016)

The financial statements were approved by the board of directors and authorised for issue on 26 March 2019 and are signed on its behalf by:



Mr A J MacArthur
Director

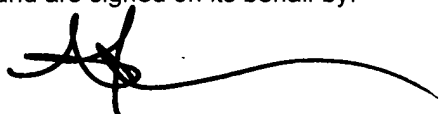
FRANKLYN CARE LIMITED

COMPANY BALANCE SHEET

AS AT 30 JUNE 2018

	Notes	2018 £	£
Fixed assets			
Investments			5,163,025
Current assets			
Debtors	15	1,117,616	
Cash at bank and in hand		20,534	
		<u>1,138,150</u>	
Creditors: falling due within one year	16	<u>(437,972)</u>	
Net current assets			700,178
Total assets less current liabilities			5,863,203
Creditors: amounts falling due after more than one year	17		(5,934,300)
Net liabilities			<u>(71,097)</u>
Capital and reserves			
Called up share capital	21		200
Profit and loss reserves			<u>(71,297)</u>
Total equity			<u>(71,097)</u>

The financial statements were approved by the board of directors and authorised for issue on 26 March 2019 and are signed on its behalf by:



Mr A J MacArthur
Director

Company Registration No. 10998058

FRANKLYN CARE LIMITED

GROUP STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2018

	Notes	Share capital £	Profit and loss reserves £	Total £
Balance at		-	-	-
Balance at 5 October 2017		-	-	-
Period ended 30 June 2018:				
Loss and total comprehensive income for the period		-	(9,216)	(9,216)
Issue of share capital	21	200	-	200
		<u>200</u>	<u>-</u>	<u>200</u>
Balance at 30 June 2018		<u>200</u>	<u>(9,216)</u>	<u>(9,016)</u>

FRANKLYN CARE LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2018

	Notes	Share capital £	Profit and loss reserves £	Total £
Balance at		-	-	-
Balance at 5 October 2017		-	-	-
Period ended 30 June 2018:				
Loss and total comprehensive income for the period		-	(71,297)	(71,297)
Issue of share capital	21	200	-	200
Balance at 30 June 2018		200	(71,297)	(71,097)

FRANKLYN CARE LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2018

	Notes	2018 £	£
Cash flows from operating activities			
Cash absorbed by operations	25	(57,084)	
Interest paid		(5,002)	
Income taxes paid		(1,389)	
Net cash outflow from operating activities			(63,475)
Investing activities			
Purchase of intangible assets		141,686	
Purchase of tangible fixed assets		(4,027)	
Purchase of subsidiaries		(3,887,306)	
Interest received		146	
Net cash used in investing activities			(3,749,501)
Financing activities			
Proceeds from issue of shares		200	
Proceeds from borrowings		1,119,800	
Repayment of borrowings		(270,470)	
Proceeds of new bank loans		5,230,000	
Repayment of bank loans		(2,083,335)	
Net cash generated from/(used in) financing activities			3,996,195
Net increase in cash and cash equivalents			183,219
Cash and cash equivalents at beginning of period			-
Cash and cash equivalents at end of period			183,219

FRANKLYN CARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2018

1 Accounting policies

Company information

Franklyn Care Limited ("the Company") is a limited company domiciled and incorporated in England and Wales. The registered office is The Gatehouse, 9 Manor Road, Harrogate, North Yorkshire, UK, HG2 0HP.

The Group consists of Franklyn Care Limited and all of its subsidiaries.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared on the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

As permitted by s408 Companies Act 2006, the Company has not presented its own profit and loss account and related notes. The Company's loss for the year was £71,297.

1.2 Basis of consolidation

The consolidated financial statements incorporate those of Franklyn Care Limited and all of its subsidiaries (i.e. entities that the Group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes. All financial statements are made up to 30 June 2018.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

Business combinations are accounted for under the acquisition method. The cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill.

The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably, and is adjusted for changes in contingent consideration after the acquisition date.

Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the 12 months following the acquisition date.

FRANKLYN CARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 30 JUNE 2018

1 Accounting policies

(Continued)

1.3 Going concern

These financial statements are prepared on the going concern basis. Based on forward cash flow forecasts and budgets, the directors have a reasonable expectation that the group will continue in operational existence for the foreseeable future. However, the directors are aware of certain material uncertainties which may cause doubt on the group's ability to continue as a going concern, due to a breach of bank loan covenants.

1.4 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for services provided in the normal course of business.

1.5 Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of a business over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is 15 years.

1.6 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date if the fair value can be measured reliably.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

1.7 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Fixtures and fittings	15% Straight line
Computers	15% Straight line
Motor vehicles	25% Reducing balance

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the profit and loss account.

Properties whose fair value can be measured reliably are held under the revaluation model and are carried at a revalued amount, being their fair value at the date of valuation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value of the land and buildings is usually considered to be their market value.

Revaluation gains and losses are recognised in other comprehensive income and accumulated in equity, except to the extent that a revaluation gain reverses a revaluation loss previously recognised in profit or loss or a revaluation loss exceeds the accumulated revaluation gains recognised in equity; such gains and loss are recognised in profit or loss.

FRANKLYN CARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 30 JUNE 2018

1 Accounting policies

(Continued)

1.8 Stocks

Stocks are stated at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

1.9 Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks.

1.10 Financial instruments

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the group's statement of financial position when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include trade and other receivables and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

1.11 Equity instruments

Equity instruments issued by the group are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

1.12 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

FRANKLYN CARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 30 JUNE 2018

1 Accounting policies

(Continued)

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset if, and only if, there is a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.13 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.14 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.15 Leases

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight line basis over the lease term.

2 Judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

FRANKLYN CARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 30 JUNE 2018

3 Turnover and other revenue

An analysis of the group's turnover is as follows:

	2018 £
Turnover	
Care home services	374,287

Other significant revenue

Interest income	146
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Turnover analysed by geographical market

	2018 £
United Kingdom	374,287

4 Operating (loss)/profit

	2018 £
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Operating (loss)/profit for the period is stated after charging/(crediting):

Depreciation of owned tangible fixed assets	7,052
Amortisation of intangible assets	51
Cost of stocks recognised as an expense	25,183

5 Auditors' remuneration

	2018 £
--	-----------

Fees payable to the company's auditor and its associates:

For audit services

Audit of the financial statements of the group and company	2,000
Audit of the company's subsidiaries	10,500
	12,500

For other services

Taxation compliance services	3,000
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FRANKLYN CARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 30 JUNE 2018

6 Employees

The average monthly number of persons (including directors) employed by the group during the period was:

	2018 Number
Directors	3
Care home staff	96
Administration	9
	<u>108</u>

Their aggregate remuneration comprised:

	2018 £
Wages and salaries	191,628
Social security costs	8,629
Pension costs	357
	<u>200,614</u>

7 Directors' remuneration

	2018 £
Remuneration for qualifying services	11,583
Company pension contributions to defined contribution schemes	357
	<u>11,940</u>

8 Interest receivable and similar income

	2018 £
Interest income	
Interest on bank deposits	146
	<u>146</u>
Investment income includes the following:	
Interest on financial assets not measured at fair value through profit or loss	146
	<u>146</u>

FRANKLYN CARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 30 JUNE 2018

9 Interest payable and similar charges

2018
£

Interest on financial liabilities measured at amortised cost:

Interest on bank overdrafts and loans

27,444

10 Taxation

2018
£

UK corporation tax on profits for the current period

12,164

Deferred tax

Origination and reversal of timing differences

181

Total tax charge

12,345

The charge for the period can be reconciled to the loss per the profit and loss account as follows:

2018
£

Profit before taxation

3,129

Expected tax charge based on the standard rate of corporation tax in the UK of 19.00%

595

Tax effect of expenses that are not deductible in determining taxable profit

2,326

Unutilised tax losses carried forward

11

Permanent capital allowances in excess of depreciation

(7,357)

Adjustment for pre acquisition trading

16,770

Tax expense for the period

12,345

FRANKLYN CARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 30 JUNE 2018

11 Intangible fixed assets

Group	Goodwill £	Negative goodwill £	Total £
Cost			
At 5 October 2017	-	-	-
Additions - separately acquired	-	(1,607,712)	(1,607,712)
Additions - business combinations	593	-	593
At 30 June 2018	593	(1,607,712)	(1,607,119)
Amortisation and impairment			
At 5 October 2017	-	-	-
Amortisation charged for the period	51	-	51
At 30 June 2018	51	-	51
Carrying amount			
At 30 June 2018	542	(1,607,712)	(1,607,170)

The company had no intangible fixed assets at 30 June 2018 or 30 June 2017.

12 Tangible fixed assets

Group	Freehold land and buildings £	Fixtures and fittings £	Computers £	Motor vehicles £	Total £
Cost					
At 5 October 2017	-	-	-	-	-
Additions	-	4,027	-	-	4,027
Business combinations	7,925,000	229,207	960	28,258	8,183,425
At 30 June 2018	7,925,000	233,234	960	28,258	8,187,452
Depreciation and impairment					
At 5 October 2017	-	-	-	-	-
Depreciation charged in the period	-	5,742	30	1,280	7,052
At 30 June 2018	-	5,742	30	1,280	7,052
Carrying amount					
At 30 June 2018	7,925,000	227,492	930	26,978	8,180,400

The company had no tangible fixed assets at 30 June 2018 or 30 June 2017.

FRANKLYN CARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 30 JUNE 2018

13 Financial instruments

	Group 2018 £	Company 2018 £
Carrying amount of financial assets		
Debt instruments measured at amortised cost	267,718	1,117,616
Carrying amount of financial liabilities		
Measured at amortised cost	6,585,541	6,372,272

14 Stocks

	Group 2018 £	Company 2018 £
Finished goods and goods for resale	5,450	-

15 Debtors

	Group 2018 £	Company 2018 £
Amounts falling due within one year:		
Trade debtors	166,551	-
Amounts due from subsidiary undertakings	-	1,023,149
Other debtors	101,167	94,467
Prepayments and accrued income	67,185	-
	334,903	1,117,616

16 Creditors: falling due within one year

	Notes	Group 2018 £	Company 2018 £
Loans and overdrafts	18	437,294	415,530
Corporation tax payable		119,990	-
Other taxation and social security		31,791	-
Trade creditors		81,765	-
Other creditors		64,062	-
Accruals and deferred income		68,120	22,442
		803,022	437,972

FRANKLYN CARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 30 JUNE 2018

17 Creditors: amounts falling due after more than one year

	Notes	Group 2018 £	Company 2018 £
Loans and overdrafts	18	5,934,300	5,934,300

18 Loans and overdrafts

	Group 2018 £	Company 2018 £
Bank loans	5,230,000	5,230,000
Directors' loans	141,594	119,830
Other loans	1,000,000	1,000,000
	<u>6,371,594</u>	<u>6,349,830</u>
Payable within one year	437,294	415,530
Payable after one year	<u>5,934,300</u>	<u>5,934,300</u>

The long-term loans are secured by fixed charges over the assets of the group.

Long term bank borrowings bear an interest rate of 2.25% plus LIBOR. The term of the loan is 5 years.

19 Deferred taxation

Deferred tax assets and liabilities are offset where the group or company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

Group	Liabilities 2018 £
Accelerated capital allowances	26,766
Revaluations	341,730
	<u>368,496</u>

The company has no deferred tax assets or liabilities.

FRANKLYN CARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 30 JUNE 2018

19 Deferred taxation

(Continued)

	Group 2018 £	Company 2018 £
Movements in the period:		
Liability at 5 October 2017	368,315	-
Charge to profit or loss	181	-
	<hr/>	<hr/>
Liability at 30 June 2018	368,496	-
	<hr/>	<hr/>

20 Retirement benefit schemes

	2018 £
Defined contribution schemes	
Charge to profit and loss in respect of defined contribution schemes	357
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A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

21 Share capital

	Group and company 2018 £
Ordinary share capital	
Issued and fully paid	
170 Ordinary A shares of £1 each	170
30 Ordinary B shares of £1 each	30
	<hr/>
	200
	<hr/>

During the period the company issued 170 ordinary A shares and 30 Ordinary B shares at par.

Each class of share has the right to participate in dividends and has full voting rights.

FRANKLYN CARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 30 JUNE 2018

22 Business Combinations

On 24 May 2018, Franklyn Care Limited acquired 100% of the ordinary share capital of The Franklyn Group Limited for a total consideration of £3,745,976.

The following amounts of assets and liabilities were recognised at the acquisition date:

	Note	Book Value £	Fair Value £
Property, plant and equipment	(i)	5,988,316	6,463,316
Inventories		4,350	4,350
Trade and other receivables		333,377	333,377
Cash and cash equivalents		1,109,094	1,109,094
Borrowings		(2,075,439)	(2,075,439)
Trade and other payables		(462,432)	(462,432)
Deferred tax	(ii)	(231,091)	(300,840)
			<u>5,071,426</u>
Negative goodwill			<u>(1,325,450)</u>
Total consideration			<u><u>3,745,976</u></u>
Adjustments on acquisition in respect of the following:			
(i) Uplift of value of freehold properties based on independent valuation.			
(ii) Recognition of deferred tax liability due to the uplift of value of freehold property.			
The consideration was satisfied by:			£
Cash			<u><u>3,718,229</u></u>
Contribution by The Franklyn Group Limited for the reporting period included in the consolidated statement of comprehensive income since acquisition:			£
Turnover			275,801
Profit after tax			<u><u>48,772</u></u>

FRANKLYN CARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 30 JUNE 2018

22 Business Combinations

(Continued)

On 24 May 2018, Franklyn Care Limited acquired 100% of the ordinary share capital of Sirtin Limited for a total consideration of £1,417,051.

The following amounts of assets and liabilities were recognised at the acquisition date:

	Note	Book Value £	Fair Value £
Intangible assets		593	593
Property, plant and equipment	(i)	1,470,109	1,720,109
Inventories		1,100	1,100
Trade and other receivables		361,119	361,119
Cash and cash equivalents		123,932	123,932
Trade and other payables		(441,675)	(441,674)
Deferred tax	(ii)	(22,563)	(65,866)
			<u>1,699,313</u>
Negative goodwill			<u>(282,262)</u>
Total consideration			<u><u>1,417,051</u></u>

Adjustments on acquisition in respect of the following:

- (i) Uplift of value of freehold properties based on independent valuation.
- (ii) Recognition of deferred tax liability due to the uplift of value of freehold property.

The consideration was satisfied by: £

Cash	1,389,304
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Contribution by Sirtin Limited for the reporting period included in the consolidated statement of comprehensive income since acquisition: £

Turnover	98,486
Profit after tax	<u>13,309</u>

FRANKLYN CARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 30 JUNE 2018

23 Directors' transactions

Included in short term loans and overdrafts at the balance sheet date are loans of £119,830 payable to Mr A MacArthur and Ms J McKenna, directors of Franklyn Care Limited. The loans do not bear interest and have no fixed terms of repayment.

Included in short term loans and overdrafts at the balance sheet date are loans of £21,764 payable to Mr R Fleming by Sirtin Limited, a 100% subsidiary of Franklyn Care Limited. The loans do not bear interest and have no fixed terms of repayment.

Included in long term loans and overdrafts at the balance sheet date are loans of £1,000,000 payable to Mr R Fleming, director of Franklyn Care Limited. The loan was provided on 24th May 2018. Repayments of the loan are to commence on the second anniversary of the date of drawdown. Repayments are due annually thereon at £100,000. The principal amount of the loan and any accrued but unpaid interest must be repaid on the 10th anniversary of the date of drawdown. The loan bears an interest rate of 4% above the Bank of England base rate. Such interest shall accrue from the first anniversary of the date of drawdown until the full principal amount of the loan has been prepaid.

24 Subsidiaries

Details of the company's subsidiaries at 30 June 2018 are as follows:

Name of undertaking and country of incorporation or residency	Nature of business	Class of shareholding	% Held	
			Direct	Indirect
The Franklyn Group Limited UK	Care home	Ordinary	100.00	
Sirtin Limited UK	Care home	Ordinary	100.00	

The aggregate capital and reserves and the profit for the year of the subsidiaries noted above was as follows:

Name of undertaking	Profit/(Loss)	Capital and Reserves
	£	£
The Franklyn Group Limited	663,154	5,120,189
Sirtin Limited	130,380	1,712,630

FRANKLYN CARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 30 JUNE 2018

25	Cash generated from operations	2018
		£
	Loss for the year after tax	(9,216)
	Adjustments for:	
	Taxation charged	12,345
	Finance costs	27,444
	Investment income	(146)
	Amortisation and impairment of intangible assets	51
	Depreciation and impairment of tangible fixed assets	7,052
	Movements in working capital:	
	(Increase) in stocks	(5,450)
	(Increase) in debtors	(334,903)
	Increase in creditors	245,739
		<hr/>
	Cash absorbed by operations	(57,084)
		<hr/> <hr/>